

Message Text

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PAGE 01 COLOMB 04759 030354Z
ACTION EB-07

INFO OCT-01 NEA-10 ISO-00 AGRE-00 CIAE-00 COME-00 INR-07
LAB-04 NSAE-00 SP-02 STR-04 TRSE-00 CIEP-01 FRB-03
OMB-01 L-03 OES-06 /049 W
-----030359Z 051551 /62
R 301200Z DEC 76
FM AMEMBASSY COLOMBO
TO SECSTATE WASHDC 6443

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E.O. 11652: N/A
TAGS: EIND, EINV, CE
SUBJECT: GOVERNMENT NATIONALIZES TEXTILE AND FISH NET FIRMS

REF (A) COLOMBO 4681, (B) COLOMBOR 4144, (C) COLOMBO 4084
(D) COLOMBO 905

1. BEGIN UNCLASSIFIED: LOCAL PRESS REPORTS GSL TAKEOVER OF J.B. TEXTILES, LTD., AND J.B. FISHING INDUSTRIES, LTD., UNDER BUSINESS ACQUISITIONS ACT EFFECTIVE DECEMBER 29. ASOKA DE ZOYSA, DIRECTOR OF BUREAU OF STANDARDS AND FORMER DEPUTY COLLECTOR OF CUSTOMS, WAS APPOINTED COMPETENT AUTHORITY TO ADMINISTER AFFAIRS OF BOTH FIRMS.

2. J.B. TEXTILES WAS OWNED BY EIGHT JAFFERJEE BROTHERS (WELL KNOWN BUSINESSMEN) AND A MISS N. BALDSING. COMPANY IS LARGEST SYNTHETIC TEXTILE MILL IN COUNTRY AND WAS ONE OF FOUR MILLS STILL IN PRIVATE HAND. MINISTRY OF INDUSTRIES AND SCIENTIFIC AFFAIRS PRESS RELEASE ISSUED DECEMBER 29 STATED J.B. TEXTILES NATIONALIZED IN ORDER "TO INCREASE THE AVAILABILITY OF SYNTHETIC TEXTILES IN SUFFICIENT QUANTITIES." SEIZURE WAS CHARACTERIZED AS "NEXT STEP" IN GSL'S EFFORT TO TAKE MORE "ACTIVE ROLE" IN MANUFACTURE OF SYNTHETIC TEXTILES. REFERRING TO MARCH TAKEOVER OF WELLAWATTE SPINNING
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PAGE 02 COLOMB 04759 030354Z

AND WEAVING MILLS AND CEYLON SILKS (REFTEL D), PRESS RELEASE STATED "JUSTIFICATION FOR AND SUCCESS OF THIS COURSE OF ACTION WAS EVIDENT FROM A 20-30 PERCENT INCREASE IN PRODUCTION AND EFFICIENCY ACHIEVED BY THESE TWO MILLS DURING SEVEN MONTH PERIOD FOLLOWING THE TAKEOVER."

3. J.B. FISHING INDUSTRIES WAS AN ASSOCIATED FIRM, OWNED BY ONE LESS JAFFERJEE BROTHER, AND IS THE ONLY PRODUCER OF FISHING NET AND FISH NET TWINE IN COUNTRY. ACCORDING TO PRESS RELEASE, FIRM WAS EXPROPRIATED TO ACHIEVE "BETTER CO-ORDINATION OF IMPORTS AND MANUFACTURE OF FISHING GEAR IN THE INTEREST OF FISHING INDUSTRY." IMPORT OF FISHING EQUIPMENT WAS ALREADY A GSL MONOPOLY.

END UNCLASSIFIED.

4. BEGIN LIMITED OFFICIAL USE. COMMENT. NATIONALIZATION OF TEXTILE INDUSTRY HAS BEEN MAJOR DEMAND OF COMMUNIST PARTY MOSCOW WING AND TROTSKYITE LSSP SINCE FORMATION OF UNITED FRONT GOVERNMENT. LEFT WING OF SLFP, INCLUDING INDUSTRIES MINISTER SUBASINGHE, ALSO BELIEVED TO FAVOR TAKING TEXTILE INDUSTRY OUT OF PRIVATE HANDS. LSSP HAS INTENSIFIED ITS DEMAND FOR NATIONALIZATION SINCE BEING EXPELLED FROM COALITION IN SEPTEMBER 1975. TAKEOVER OF WELLAWATTE MILL WAS APPARENTLY AD HOC ACTION AIMED AT PREVENTING LAYOFF OF 1,500 WORKERS. EXPROPRIATION OF J.B. TEXTILES, HOWEVER, SEEMS TO BE RELATED TO NEED FOR GSL TO DEMONSTRATE IT MAKING EFFORT TO RESOLVE GROWING TEXTILE SHORTAGE. PRESSURE ON GSL INCREASED WHEN DECEMBER 20 WAREHOUSE FIRE DESTROYED ENTIRE SUPPLY OF SYNTHETIC YARNS FOR FIRST QUARTER OF 1977 (REFTEL A). WHILE VERNACULAR PRESS HAS BEEN PREDICTING SEIZURE OF J. B. FISHING INDUSTRIES SINCE EARLY DECEMBER (AND IMPLYING THAT SUBASINGHE WAS BEING THWARTED IN EFFORT TO NATIONALIZE J.B. INDUSTRIES BY PRIME MINISTER), J.B. LIMITED OFFICIAL USE

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PAGE 03 COLOMB 04759 030354Z

TEXTILES HAD NOT PREVIOUSLY BEEN SINGLED OUT. OTHER PRIVATE SECTOR TEXTILE FIRMS NOW FEAR THEY MAY BE NEXT. FOLLOWING ON HEELS OF FINANCE MINISTER'S MOVE TO TAKE OVER FOREIGN BANK (REFTEL C) AND EXPROPRIATION OF CEYLON OXYGEN COMPANY (REFTEL B), LATEST NATIONALIZATIONS HAVE FURTHER DAMAGED (IF THAT IS POSSIBLE) CLIMATE FOR FOREIGN INVESTMENT IN SRI LANKA. END LIMITED OFFICIAL USE. REED

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRESS COMMENTS, TEXTILES, FISHING INDUSTRY, NATIONALIZATION, BUSINESS FIRMS
Control Number: n/a
Copy: SINGLE
Draft Date: 30 DEC 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976COLOMB04759
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D770018-0488
From: COLOMBO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t1976125/aaaaadmq.tel
Line Count: 105
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 COLOMBO 4681, 77 COLOMBO 4144, 77 COLOMBO 4084, 77 COLOMBO 905
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 12 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <12 MAY 2004 by ShawDG>; APPROVED <01 SEP 2004 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GOVERNMENT NATIONALIZES TEXTILE AND FISH NET FIRMS
TAGS: EIND, EINV, CE
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006